

Your Directors submit their report for the half-year ended 31 December 2008.

DIRECTORS

The names and details of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Melvyn Keith Ward

AO B.E.(Hons), M.Eng.Sc., F.I.E(Aust), F.T.S., F.A.I.M., I.V.A. (Chairman)

Dr Sam Aaron Hupert

M.B.B.S. (Deputy Chairman and Executive Director)

Dr Peter David Jonson

B.Comm(Hons), M.A.(Hons), PhD, F.A.I.C.D, F.A.A.S.S. (Non-Executive Director)

Anthony Barry Hall

B.Sc.(Hons), M.Sc. (Executive Director and Technology Director)

Peter Terence Kempen

FCA, FAICD (Non-Executive Director)

David Chambers

B.Sc. Grad Dip. Bus. (Managing Director and Chief Executive Officer)

REVIEW AND RESULTS OF OPERATIONS

Pro Medicus today reported a first half after tax profit of \$2.419 million, a decrease of 33.9% on the December 2007 reported result. This was based on total revenue of \$5.172m which decreased by 28.3% compared with the comparable prior period.

Revenue for the half-year was impacted by a client-led delay in the implementation timetable of a major project, a flattening of the growth levels in digital imaging in Australia and the impact of the shift to a new direct selling model in the US.

Promedicus.net, the company's e-health offering, continued to perform well throughout the period despite increased competition and margin pressure.

During the period the company continued its increased investment in personnel, R&D and infrastructure in order to underpin accelerated growth in both the Australian and overseas markets.

Financially the company continued its 25 year history of a strong balance sheet with cash reserves as of the end of December being maintained at over \$11.5 million. The company continues to be debt free.

In January 2009 the company acquired Visage Imaging which will expand the company's offering to PACS and 3D visualisation as well as provide the company with a greatly increased presence in the US and Europe. This acquisition was funded from cash reserves.

The company feels that in the current economic environment it is prudent to increase the amount of cash retained and has consequently announced a reduced interim dividend of 1.5c per share fully franked

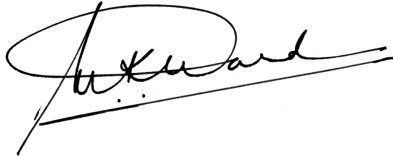
ROUNDING

The amounts contained in this report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which Class Order applies.

AUDITORS' INDEPENDENCE DECLARATION

In accordance with section 307C of the Corporations Act 2001, we have obtained a declaration of independence from our auditors Ernst & Young, a copy of which is attached at Appendix 1.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'M K Ward', with a long horizontal line extending from the end of the signature.

M K Ward

Chairman

Melbourne, 24 February 2009



ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

Auditor's Independence Declaration to the Directors of Pro Medicus Limited

In relation to our review of the financial report of Pro Medicus Limited for the half-year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Painter

Stuart Painter
Partner
24 February 2009

INCOME STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Notes

**2008
\$'000**

**2007
\$'000**

CONTINUING OPERATIONS

Sale of Goods	4(a)	—	62
Cost of Sales		—	(34)
Gross Profit		—	28
Rendering of Services		3,980	4,125
Licence Revenue		814	2,765
Finance Revenue		378	327
OTHER REVENUE	4(a)	5,172	7,217
Other Income / (Expenses)	4(b)	635	2
Accounting & Secretarial Fees		(152)	(220)
Advertising and Public Relations		(92)	(44)
Depreciation & Amortisation	4(c)	(44)	(45)
Insurance		(104)	(88)
Legal Costs		(32)	(11)
Operating Lease Expenditure – minimum lease payments		(85)	(83)
Other Expenses		(173)	(221)
Research & Development Costs (incl amortisation)	4(c)	(317)	(321)
Salaries and Employee Benefits Expense	4(c)	(1,467)	(984)
Travel and Accommodation		(149)	(45)
PROFIT BEFORE INCOME TAX		3,192	5,185
Income tax expense		(773)	(1,527)
NET PROFIT FOR THE PERIOD		2,419	3,658
Earnings per share (cents per share)			
- basic for net profit for half-year		2.42¢	3.65¢
- diluted for net profit for the half-year		2.43¢	3.64¢
Dividends per share (cents per share)			
- Franked dividends paid per share (cents per share)	5	1.50¢	2.75¢
- interim dividend per share	5	1.50¢	2.75¢

BALANCE SHEET

AS AT 31 DECEMBER 2008	Notes	Dec 2008 \$'000	Jun 2008 \$'000
CURRENT ASSETS			
Cash and cash equivalents		11,521	12,885
Trade and other receivables		2,581	3,792
Inventories		12	—
Prepayments		80	76
TOTAL CURRENT ASSETS		14,194	16,753
NON-CURRENT ASSETS			
Deferred income tax asset		301	282
Plant and equipment		180	199
Intangible assets		2,780	2,309
TOTAL NON-CURRENT ASSETS		3,261	2,790
TOTAL ASSETS		17,455	19,543
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		689	996
Income tax payable		110	1,235
Provisions		911	850
TOTAL CURRENT LIABILITIES		1,710	3,081
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		784	670
Provisions		58	48
TOTAL NON-CURRENT LIABILITIES		842	718
TOTAL LIABILITIES		2,552	3,799
NET ASSETS		14,903	15,744
EQUITY			
Contributed Equity		331	331
Share Reserve		26	21
Foreign Currency Translation Reserve	2(b)	(5)	—
Retained Earnings		14,551	15,392
TOTAL EQUITY		14,903	15,744

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Issued Capital	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000
At 1 July 2007	32	14,225	14,257
Profit for the half-year	—	3,658	3,658
Shares Issued	265	—	265
Equity dividends	—	(4,010)	(4,010)
At 31 December 2007	<u>297</u>	<u>13,873</u>	<u>14,170</u>

	Issued Capital	Share Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2008	331	21	—	15,392	15,744
Profit for the half-year	—	—	—	2,419	2,419
Share based payment	—	5	—	—	5
Shares Issued	—	—	—	—	—
Foreign Currency Translation	—	—	(5)	—	(5)
Equity dividends	—	—	—	(3,259)	(3,259)
At 31 December 2008	<u>331</u>	<u>26</u>	<u>(5)</u>	<u>14,551</u>	<u>14,903</u>

CASH FLOW STATEMENT

HALF-YEAR ENDED 31 DECEMBER 2008	Notes	2008 \$'000	2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		6,852	8,017
Payments to suppliers and employees		(2,811)	(2,224)
Income tax paid		(1,803)	(1,832)
NET CASH FLOWS FROM OPERATING ACTIVITIES		2,238	3,961
CASH FLOWS USED IN INVESTING ACTIVITIES			
Capitalised Development Costs		(703)	(483)
Interest received		378	327
Purchase of property, plant and equipment		(18)	(33)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(343)	(189)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issue of shares		—	265
Payment of dividends on ordinary shares		(3,259)	(4,010)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(3,259)	(3,745)
Net increase/(decrease) in cash and cash equivalents		(1,364)	27
Cash and cash equivalents at beginning of period		12,885	11,135
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	11,521	11,162

Notes to the Condensed Half-Year Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

1. CORPORATE INFORMATION

The condensed half-year report of Pro Medicus Limited (the Company) for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of directors on 24 February 2009.

Pro Medicus Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian stock exchange.

The nature of the operations and principal activities of the Company are described in note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report.

The condensed half-year financial report should be read in conjunction with the annual Financial Report of Pro Medicus Limited as at 30 June 2008.

It is also recommended that the half-year financial report be considered together with any public announcements made by Pro Medicus Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of Preparation

The condensed half-year report is a general-purpose financial report, which has been prepared in accordance with and complies with the requirements of the *Corporations Act 2001*, applicable Accounting Standards, including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements.

The condensed half-year report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the class order applies.

For the purpose of preparing the condensed half-year report, the half-year has been treated as a discrete reporting period.

During the half-year ended 31 December 2008, Pro Medicus Limited established Pro Medicus LLC USA (Pro Medicus USA). Pro Medicus USA is a wholly owned subsidiary company domiciled in the United States of America.

Accordingly, the results for the half-year ended 31 December 2008 are for a consolidated entity (refer below) whereas the comparative information is for a single entity.

The condensed half-year report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the class order applies.

For the purpose of preparing the condensed half-year report, the half-year has been treated as a discrete reporting period.

(b) Significant accounting policies

The condensed half-year report has been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008.

The following accounting policies have been applied as a result of the establishment of Pro Medicus USA:

Basis of consolidation

The consolidated financial statements comprise the financial statements of Pro Medicus Ltd and its subsidiary, Pro Medicus LLC USA as at 31 December 2008.

Notes to the Condensed Half-Year Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting periods as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated on full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Pro Medicus Limited is Australian dollars (\$). The United States subsidiary's functional currency is United States Dollars which is translated to presentation currency (see below).

(ii) Translation of Group Companies functional currency to presentation currency

The results of the United States subsidiary are translated into Australian Dollars as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at balance date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

Notes to the Condensed Half-Year Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

3. SEGMENT INFORMATION

Geographic Segments

The company operates predominantly in one industry being, information technology within the health-care industry and in two geographical areas being Australia and North America.

Geographic Segments

	Australia		North America		Pro Medicus Ltd	
	2008	2007	2008	2007	2008	2007
Revenue	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to customers outside the company	4,203	5,629	591	1,323	4,794	6,952
Total segment revenue	4,203	5,629	591	1,323	4,794	6,952
Interest Revenue					378	327
Total Revenue					5,172	7,279
Results						
Segment Result	3,226	4,068	(34)	1,117	3,192	5,185
Non segment expenses						
Income Tax Expense					(773)	(1,527)
Net Profit					2,419	3,658

	Australia		North America		Pro Medicus Limited	
	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other segment information						
Internally generated intangible assets	610	445	2,162	1,337	2,772	1,782
Capital Expenditure	18	33	—	—	18	33
Depreciation	44	45	—	—	44	45
Amortisation	70	43	247	151	317	194

Notes to the Condensed Half-Year Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	2008 \$'000	2007 \$'000
4. REVENUE AND EXPENSES		
Specific Items		
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
(a) Revenue		
Sale of goods	—	62
Rendering of Services	3,980	4,125
Licence Revenue	814	2,765
Finance Revenue	378	327
	5,172	7,279
<i>Breakdown of Finance Revenue</i>		
Bank and deposit interest receivable	378	327
	378	327
(b) Other Income / (Expenses)		
Net Foreign Exchange Gains / (Losses)	635	2
	635	2
(c) Other Expenses		
Depreciation and Amortisation		
Property Improvements	6	5
Motor Vehicles	7	8
Office Equipment	12	10
Furniture and Fittings	1	1
Research & Development Equipment	11	14
Intangible Asset	7	7
Total Depreciation and Amortisation Expenses	44	45
Research and Development Expense		
Research expenses	—	127
Amortisation on capitalised development costs	317	194
	317	321
Salaries and Employee Benefits Expense		
Wages & Salaries	1,240	808
Long service leave provision	17	(29)
Superannuation	210	205
	1,467	984

Notes to the Condensed Half-Year Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

(d) Seasonality of Operations

The Company does not typically experience seasonality in relation to demand for its product. Subject to revenue growth attributable to new customers, revenues tend to average out on a productive day basis throughout the year, with a similar number of productive days in both halves of the year.

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

(a) Dividends proposed and recognised as a liability

Franked dividend

(b) Dividends paid during the half-year

Franked dividend

(c) Dividends proposed and not recognised as a liability

Interim Fully Franked dividend

2008 \$'000	2007 \$'000
—	—
3,259	4,010
1,504	2,757

6. EVENTS AFTER THE BALANCE SHEET DATE

An interim dividend of 1.50 (2007: 2.75) cents per share fully franked has been declared since 31 December 2008.

No special dividend has been declared (2007: no special dividend).

Pro Medicus Limited announced on the 27 January 2009, it has acquired Visage Imaging, a leader in digital imaging and advanced 3D visualisation technology based in Carlsbad, California and Berlin, Germany. The purchase is the culmination of a year's research into merger and acquisition opportunities for Pro Medicus.

Visage Imaging, formerly the life sciences subsidiary of the NASDAQ-listed Mercury Computer Systems, Inc, has a strong position established in the USA and Europe with some 1,200 clients using its health-related visualisation technologies.

The purchase consideration for the acquisition was \$3.0m USD and the acquisition did not involve any capital raising and will be funded from the company's cash reserves as will any operational costs in the integration period. The acquisition is expected to become earnings per share accretive in the 2010 financial year.

Notes to the Condensed Half-Year Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

7. ADDITIONAL INFORMATION

Reconciliation of Cash

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 31 December:

	2008	2007
	\$'000	\$'000
Cash at bank and in hand – AUD	1,925	727
Cash at bank and in hand – GBP	129	19
Cash at bank and in hand – CAD	218	128
Cash at bank and in hand – USD	249	1,288
Short-term deposits - AUD	9,000	9,000
	11,521	11,162

8. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – company as lessee

The company has entered into a commercial property lease for office premises. This lease has a life of 5 years with an option for a further 5 year period. There is no restriction placed upon the lessee by entering into this lease.

Future minimum rentals payable under non-cancellable operating lease as at 31 December are as follows:

- within one year	169	183
- after one year and not more than five years	678	305
- more than five years	—	—
	847	488

PRO MEDICUS LIMITED

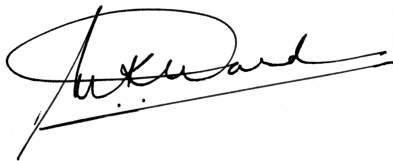
Directors' Declaration

In accordance with a resolution of the directors of Pro Medicus Limited, I state that:

In the opinion of the directors:

- (a) the condensed half-year report and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'M K Ward', with a long horizontal flourish extending to the right.

M K Ward

Chairman

Melbourne, 24 February 2009



Independent Review Report

To the members of Pro Medicus Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pro Medicus Limited, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year-end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pro Medicus Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pro Medicus Limited is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Ernst & Young

Ernst & Young

Painter

Stuart Painter
Partner
Melbourne
24 February 2009